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ABSTRACT

This summary report presents major findings of a study comparing repayment of student loans and the impact of educational debt on students' life decisions in 1985 and 1991. A survey was sent to a random sample of approximately 3,000 borrowers during repayment of their student loans in both 1985 and 1991. Useable surveys were received from 628 borrowers in 1985 and 551 in 1991. Small samples of defaulters were also contacted. Among findings were: 70 percent of 1991 respondents said loans were essential for their enrollment in college; average debt increased by 50 percent between 1985 and 1991; average annual loan repayment as a percentage of income increased from 5.4 percent to 6.3 percent for undergraduates and from 6 percent to 11.3 percent for those who borrowed as graduate students. The report addresses the following issues: increases in loan debt, amount of annual payments, growth in income, trends in debt service as a percent of income, other loan programs reported by Stafford borrowers, borrower debt and demographics, degree to which debt affected borrowers, borrower debt and income by highest degree obtained, income and payments by debt levels, and loan program variables at the time of borrowing. Also included are a brief history of federal student loans, respondents' comments suggesting program changes, and sources of loan information. Summary tables provide additional detail. (DB)

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The role of the American Council on Education in this project was limited to that of fiscal agent. We are pleased that we were able to facilitate the work. However, the views expressed in this paper are solely those of the authors. No opinions or conclusions contained in this document should be attributed to the American Council on Education.

The findings of this study are not considered by the American Council on Education to be definitive. As is true in any sample research, the question arises as to how representative the sample is to all repayers. Nonetheless, the results of this investigation confirm what many student aid professionals have long recognized: while student loans are vitally important to the financing of higher education, many student borrowers are amassing ever-increasing amounts of debt, and the burden of repaying their loans weighs heavily on them once they leave school. The increases in debt and loan payments as a percentage of income reported in this survey, particularly for graduate and professional school students, are troubling and indicate the critical need to continue to ask questions about student loan policies in this country.

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Copies of the complete study, *The Characteristics of Stafford Student Loan Borrowers in Repayment and The Impact of Educational Debt on Personal and Economic Life Decisions* (order number HE027 052), and copies of the companion study, *The Impact of Significant Federal Student Loan Policy Changes and The Role of States in Student Credit* (order number HE027 053), are available from The ERIC Document Reproduction Service. To order microfiche or paper copies, contact the ERIC Reproduction Service at 3900 Wheeler Avenue, Alexandria, VA 22304-5100.

The Characteristics of Student Borrowers in Repayment and the Impact of Educational Debt

SUMMARY REPORT

Comparing 1985 and 1991 Data

Acknowledgments

This research project relied on the efforts and cooperation of many individuals and organizations for its success and completion. This project, a follow-up and replication of a similar study conducted in 1985, would not have been possible without the contributions of those individuals and organizations acknowledged below.

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An advisory committee provided assistance and direction to the project. The members of the committee (and their current organizational affiliations) were:

Linda Berkshire, Connie Lee Insurance Company
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Gerald Gurin, professor of higher and continuing education at the University of Michigan, was added to the advisory committee to review the statistical soundness and conclusions of the study. Arthur Hauptman, a consultant to ACE, also participated in the advisory committee meetings and reviewed and commented on the draft report.

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The genesis of this study is attributable to educational statesman Francis Keppel, who in March 1984 suggested the need to survey the impact of educational loan debt on personal life decisions.

The greatest thanks go to the more than 700 student loan borrowers who returned the questionnaire or responded by telephone to share their experiences. Their sharing has provided answers to questions about student loan debt which will benefit countless other future borrowers.

Joseph D. Boyd
Carol Wennerdahl

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The Characteristics of Student Borrowers in Repayment and The Impact of Debt on Personal and Economic Life Decisions

Overview

The U.S. federal student loan programs are massive in terms of numbers served and dollars spent. Between 1965 and 1992, roughly 30 million borrowers received 57 million loans totaling $127 billion under Title IV, Part B of the Higher Education Act.[1] In fiscal year 1992 alone, more than $14 billion was loaned to some 4 million borrowers. At the end of 1992, approximately $55 billion in federal loans were in repayment status. At current rates, each year, 3 million additional borrowers will enter repayment status and another 3 million will receive their first loan.

Loans now represent approximately 45 percent of all available student aid. They serve the needs of short-term certificate students as well as those receiving professional and doctoral degrees. Almost every college is on the list of institutions whose students are eligible to apply for loans. The availability of loans—and the related policies that determine who is eligible to receive loans—directly affect almost every college's enrollments and the proportion of students who complete their programs. College and university degrees open doors to satisfy both individual career goals and societal needs. Unlike earlier generations of students, many recent graduates are mortgaging their futures with unprecedented levels of student loan debt. This study provides data regarding that loan debt and how it may be affecting other aspects of post-college life.

More than four-fifths of all borrowers with mature (repayment now required) loans are repaying those loans, and the stories of those borrowers who are fulfilling their program obligations need to be told. Defaulters often make the headlines, but those who repay deserve equal attention. Many are making personal adjustments in their life-styles to fulfill their obligations. They invested in their future and are complying with their obligation to repay. The choices they make, based upon their student loan debt, also are affecting many other aspects of our consumer economy.

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[1]In addition to the above loans under Title IV, Part B, lenders made 5.5 million loans totaling $7.4 billion under the former Federally Insured Student Loan (FISL) Program during the years 1968 to 1984.

Survey Methodology and Results

In 1985 and 1991, a group of Stafford Loan borrowers in repayment were randomly selected from the files of several state loan guarantee agencies (California, Colorado, Florida, Illinois, Iowa, Massachusetts, New York, North Carolina, Oregon, and Tennessee). In both years, these borrowers were sent questionnaires that solicited information about levels of loan debt, selected demographics, and the impact of loan repayment on personal and economic decisions. All respondents were assured confidentiality, and no borrower identification was requested. A question concerning the respondents' race was included; however, the number of respondents from minority groups was not sufficient for the researchers to make any reliable statistical claims. In the 1985 study, 628 borrowers in repayment responded; in 1991, 551 responded. The response rate in both years was just over 20 percent. (It is important to note that 12.5 million borrowers are currently in repayment of $41.9 billion in student loans.) Telephone interviews with another randomly selected group of borrowers in repayment were conducted in both years. Also, in 1991, a small number of defaulters (95), randomly selected from the same GSL state agencies, responded to a separate questionnaire. (Observations regarding the responses of defaulters and those interviewed by telephone are contained in the full report of this study.)

Of the borrowers who responded in 1991:

- Seventy percent said loans were essential for their enrollment in college.
- Forty-five percent indicated that loans enabled them to enroll at their first-choice college.
- At least one-third reported that educational loan debt affected their life-style decisions during repayment.
- Nearly one-third reported that they had to delay making at least one student loan payment in order to meet other pressing obligations. One in ten reported being late in making their student loan payments five or more times.
- More than half reported that they had to borrow from additional sources other than Stafford loans in order to meet their tuition and related costs of attendance.[2]
- Student loan repayment obligations consume a disproportionate amount of earnings for some groups of borrowers, particularly single women and those who have earned doctoral or professional school degrees.

Compared to the survey conducted in 1985:

- The amount of educational debt increased substantially, particularly for graduate and professional school students. For those who borrowed only as undergraduates, the average debt increased by roughly 50 percent between 1985 and 1991. For those who borrowed as graduate and professional school students, the amount borrowed nearly tripled.[3]

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[2] In the 1985 study, only 30 percent of respondents had to borrow from multiple loan sources to meet their costs.

[3] This result should be interpreted with care because no control was imposed on the type of graduate student borrowers surveyed. The growth in debt may be at least partially a function of more students in high debt fields being included in the 1991 sample.

- Increases in income have not kept pace with the growth in educational debt, particularly for individuals who borrowed as graduate and professional school students. The incomes of those who borrowed only as undergraduates increased by about 40 percent between 1985 and 1991, and the incomes of those who borrowed as graduate students increased by 50 percent.

- As a result of these debt and income trends, annual payments on educational debt as a percentage of income increased between 1985 and 1991. The average annual loan payment as a proportion of gross income for those who borrowed only as undergraduates increased from 5.4 percent to 6.3 percent between 1985 and 1991. For those who borrowed as graduate students, annual loan repayments nearly doubled as a proportion of income, from 6 percent in 1985 to 11.3 percent in 1991.

- Three out of five of the 1991 respondents indicated that they wish they had borrowed less. Less than half of the 1985 respondents felt this way.

- Six of ten respondents in 1985 reported having little or no difficulty in making repayments, compared to four in ten respondents in 1991.

- A higher proportion of respondents in 1991 reported that they had to borrow from other sources to repay their student loans and that student debt was having an impact on their decisions to marry and when to have children.

	Mean—All Loans		
	1985	1991	Increase
All Borrowers	$6,488	$16,417	153%
Borrowed Only as Undergraduate	$5,262	$7,858	49%
Borrowed Both as Undergraduate and as Graduate	$11,087	$32,669	195%
First Borrowed while Attending a Public College	$5,662	$14,753	161%
First Borrowed while Attending a Private College	$8,009	$22,029	175%
Received Advanced Degree	$10,814	$29,492	173%

A Brief History of Federal Student Loans

The federal government responded to "Sputnik" in the late 1950s with the creation of a National Defense Student Loan Program (later known as the National Direct Loan Program and known today as the Perkins Loan Program). Through this program, federal dollars are combined with college funds to form a campus-based loan program that provides loans for financially needy students. Low interest and certain forgiveness provisions have been associated with these loans.

In 1965, the federal government passed the Higher Education Act. Title IV, part B of that act created a new loan program to expand the availability of loans to students from middle-income families. This act, which has been amended periodically, has resulted in the massive loan programs in existence today. Originally known as Guaranteed Student Loans, their purpose was to create a partnership of federal and state roles in student aid funding and administration.

In response to increasing demand and rising college costs, two additional guaranteed loan programs were established in 1981: Parent Loans for Undergraduate Students (PLUS) and Auxiliary Loans to Assist Students (ALAS). In 1986, the PLUS program was expanded to include parents of dependent graduate students, and the ALAS program was replaced by the Supplemental Loans for Students (SLS) Program.

A program permitting borrowers to consolidate these and other loans was authorized in 1986. Each of these loan program options has specific loan maximums, interest rates, and eligibility criteria, and each may or may not be available from all participating lenders.

Increases in Loan Debt

Tables 1 and 2 compare some major findings with respect to the indebtedness of 1985 and 1991 respondents. Borrowers repaying their loans in 1991 had incurred loan debts quite different from those in 1985.

The average amount of educational debt owed by borrowers responding to the questionnaires more than doubled between 1985 and 1991, increasing from roughly $6,500 for 1985 survey respondents to more than $16,000 in 1991. The median amount of debt doubled, from $5,000 to $10,000. The growth in debt levels for individuals who borrowed only as undergraduates was more modest,

Table 1

Amounts Borrowed, 1985 and 1991 Respondents

Type of Borrower	Year	Total Loan Debt Mean	Quartile 1	Median	Quartile 3	N
Total Borrowed	1985	$6,488	$3,000	$5,000	$8,000	623
(Includes all student loans)	1991	$16,417	$5,000	$10,000	$18,050	538
Total Loans—	1985	$7,858	$4,500	$6,500	$10,000	495
Borrowed only as Undergraduate	1991	$5,262	$2,500	$4,650	$7,000	333
Total Loans—	1985	$8,142	$5,000	$5,000	$10,000	63
Borrowed Only as Graduate*	1991	$24,905	$10,000	$17,000	$36,525	62
Total Loans—						
Borrowed as Graduate	1985	$11,093	$5,000	$9,500	$15,000	
(Includes undergrad loans, if any)**	1991	$30,231	$13,700	$20,000	$42,200	
Total Loans—						
Borrowed Both as Undergraduate	1985	$13,828	$8,000	$12,000	$19,650	68
and as Graduate***	1991	$32,669	$15,000	$24,500	$43,000	143

* Does not include any respondents who borrowed as undergraduates.

** Includes all respondents who borrowed as graduate students, whether or not they also borrowed as undergraduates. Includes the undergraduate indebtedness for those borrowers.

*** Includes only those respondents who borrowed both as undergraduates and as graduates.

increasing from $5,300 in 1985 to $7,900 in 1991 (an increase of almost 50 percent). The educational debt for those who borrowed as graduate students, however, roughly tripled, from $11,000 in 1985 to more than $30,000 in 1991.

Amount of Annual Payments

Pursuit of advanced degrees appears to have added significantly to borrowers' loan debt. In 1985, 11 percent of all respondents had borrowed for both undergraduate and graduate study and had borrowed, on average, $13,828. In 1991, 26 percent of respondents reported they had borrowed for both undergraduate and graduate study, with a mean total loan debt of $32,669. This represents an increase of 15 percent among borrowers seeking master's, doctoral, and professional degrees, with loan debt increases of 136 percent.

Table 2 indicates that annual average loan payment amounts more than doubled between 1985 and 1991, from less than $1,000 to more than $2,000 (an increase of 119 percent). The increase in the median amount borrowed was $588. Respondents at the third quartile had annual 1991 repayments of $2,400, almost twice what 1985 respondents at the third quartile were paying. The respondents with the top 10 percent of payments in 1985 were repaying approximately $2,850 annually. In 1991, the top 10 percent had a mean annual loan repayment of $8,743 (an increase of 207 percent).

Growth in Income

While annual loan payment amounts were increasing, respondents' incomes were as well—but not at the same rate in all categories. Respondents' gross incomes increased from a mean of $20,007 in 1985 to $30,974 in 1991 (an increase of 55 percent). The median increase from $18,000 to $25,200 (up 40 percent), however, is more representative of what happened to most respondents. This represented an annual increase of approximately 6 percent per year, a somewhat higher increase than that for all workers in society. The third-quartile annual gross earnings increased from $24,600 to $36,680 (49 percent). The top 10 percent of gross earnings increased from $65,630 in 1985 to $110,678 in 1991, up approximately 69 percent. Respondents' earnings increased, but consistently at a much lower rate than loan debt. Net (take-home) income showed similar changes.

Trends in Debt Service as a Percent of Income

Borrowers make their loan payments from their net incomes ("take-home" pay). The mean percentage of the amount of net income used to repay loans was 7.49 percent in 1985 and 10.91 percent in 1991. This represents an increase of 3.42 percentage points (approximately half a percentage point each year). The median increase was 1.22 percentage points (approximately two-tenths of a percent annually). Take-home pay for those at the third quartile increased by 3.29 percentage points (approximately 0.55 percent annually). At the top 10 percent, it increased 18.16 percentage points (approximately 3 percent annually). Such continued increases in percentage of net income needed to repay loans in the future can only compound and increase the magnitude of the troublesome findings of this research.

Other Loan Programs Reported by Stafford Borrowers

In the 1985 study, 70 percent of the respondents reported having borrowed from the Stafford program and from no other program. In the 1991 study, only 43 percent of the respondents reported

TABLE 2

Summary Statistics on Amount Borrowed, Annual Loan Payments, and Payments as Percent of Income, 1985 and 1991 Respondents

Loans, Payments, Incomes	Year	Borrowed only as Undergraduate				Borrowed as Graduate*				All Borrowers			
		Mean	Q'tile 1	Median	Q'tile 3	Mean	Q'tile 1	Median	Q'tile 3	Mean	Q'tile 1	Median	Q'tile 3
Total Borrowed	1985	$5,262	$2,500	$4,650	$7,000	$11,093	$5,000	$9,500	$15,000	$6,488	$3,000	$5,000	$8,000
(Includes all student loans)	1991	$7,858	$4,500	$6,500	$10,000	$30,321	$13,700	$20,000	$42,200	$16,417	$5,000	$10,000	$18,050
Borrowers' Annual	1985	$862	$600	$720	$1,050	$1,465	$738	$1,260	$1,965	$987	$600	$780	$1,200
Education Loan Payments	1991	$1,281	$720	$1,092	$1,518	$3,723	$1,608	$2,844	$4,800	$2,161	$792	$1,368	$2,400
Borrowers' Annual	1985	$18,237	$12,000	$16,800	$22,800	$27,371	$19,200	$24,000	$34,800	$20,007	$12,600	$18,000	$24,000
Gross Income	1991	$25,094	$14,400	$24,000	$31,200	$41,087	$21,600	$32,400	$48,000	$30,974	$16,260	$25,200	$36,681
Borrowers' Payments													
as Percent of Borrowers'	1985	6.09	3.03	4.85	7.50	6.79	3.09	5.32	9.15	6.23	3.06	4.91	7.87
Gross Income	1991	6.97	2.91	4.76	8.33	13.93	4.06	8.52	20.00	9.52	3.33	5.59	10.67
Borrowers' Annual	1985	$12,755	$9,600	$12,000	$15,195	$18,519	$13,200	$16,800	$22,920	$13,889	$9,600	$12,480	$16,800
Net Income	1991	$18,058	$10,800	$16,800	$21,840	$29,566	$15,150	$22,800	$33,600	$22,277	$12,000	$19,200	$26,400
Borrowers' Payments													
as Percent of Borrowers'	1985	8.24	4.37	6.65	10.04	9.41	4.46	8.33	12.53	8.47	4.38	6.77	10.69
Net Income	1991	9.15	4.26	6.45	11.16	18.72	6.03	12.22	24.95	12.64	4.82	7.66	14.48
Borrower/Spouse													
Combined Annual	1985	$958	$600	$780	$1,152	$1,596	$837	$1,392	$2,160	$1,090	$600	$900	$1,320
Education Loan Payments	1991	$1,389	$720	$1,200	$1,602	$4,107	$1,770	$3,000	$5,628	$2,385	$867	$1,440	$2,760
Borrower/Spouse Combined	1985	$24,553	$14,304	$21,000	$30,780	$34,984	$21,600	$30,000	$43,935	$26,598	$14,400	$22,800	$32,850
Annual Gross Income	1991	$32,047	$16,800	$26,400	$42,000	$52,602	$27,600	$43,998	$63,942	$39,532	$19,200	$30,000	$50,022
Combined Payments													
as Percent of Combined	1985	5.40	2.50	4.17	6.46	5.98	2.40	4.71	7.90	5.51	2.45	4.19	7.00
Gross Income	1991	6.31	2.50	4.28	8.00	11.25	3.88	7.81	14.81	8.11	2.77	5.36	9.76
Borrower/Spouse Combined	1985	$17,188	$10,200	$14,400	$21,600	$23,372	$14,910	$20,550	$27,822	$18,416	$10,800	$15,600	$23,400
Annual Net Income	1991	$23,195	$12,714	$19,272	$30,000	$37,704	$19,575	$30,000	$45,000	$28,481	$14,400	$21,600	$36,000
Combined Payments													
as Percent of Combined	1985	7.26	3.49	5.88	9.09	8.38	3.33	7.14	11.45	7.49	3.46	5.99	9.86
Net Income	1991	8.27	3.57	5.65	10.48	15.53	5.86	11.05	20.40	10.91	3.92	7.21	13.15
Number of Schools	1985	1.20	1.00	1.00	1.00	1.58	1.00	1.00	2.00	1.28	1.00	1.00	2.00
at Which Received Loans	1991	1.28	1.00	1.00	1.00	1.74	1.00	2.00	2.00	1.45	1.00	1.00	2.00
Number of Academic	1985	2.36	1.00	2.00	3.00	3.29	2.00	3.00	4.00	2.56	1.00	2.00	3.00
Years for Which Borrowed	1991	2.86	2.00	3.00	4.00	4.80	3.00	5.00	6.00	3.57	2.00	4.00	4.00

*Includes the undergraduate indebtedness information for borrowers who also borrowed as undergraduates.

borrowing from the Stafford program alone. It appears that most borrowers now require a package of several different loans to meet college costs. Table 3 lists these loans by program, the percentage of Stafford borrowers who also borrowed under them, and the mean values of the loans.

Perkins/NDSL Loans

Perkins loans were the other major loan program used (36 percent of all 1991 respondents). Most often, they are used when students also borrow for graduate study and advanced degrees. Students at private colleges were slightly more likely than those attending public colleges to use Perkins loans.

Health Loans

The number of respondents reporting such loans in 1985 was so small that it is difficult to compare with 1991 respondents. What can be said is that 3 to 5 percent of 1991 Stafford borrowers used these loans for graduate-level study. The Health Education Assistance Program mean loan amount was approximately $20,000, and the Health Professions mean loan amount was approximately $11,000.

Loans from Parents or Relatives

These personal loans were used less by 1991 respondents than by 1985 respondents. The greater availability of PLUS loans no doubt contributed to this decline. However, those 1991 borrowers who did receive loans from parents or relatives—approximately 8 to 9 percent of Stafford loan borrowers—tended to borrow more than their 1985 counterparts had. One may assume that some of these loans from parents or relatives will be forgiven and will not be repaid. But many borrowers consider all parental contributions to be loans and hope to repay them in the future.

Other Loans

Although not defined in the questionnaire, other types of loans were reported by 5 percent of the 1991 respondents. The average amount borrowed was approximately $7,600.

Supplemental (SLS) Loans

Almost one in five of the 1991 respondents had borrowed SLS loans to supplement Stafford loans. The mean amount was $6,885, but students at private colleges and those with advanced degrees had mean SLS loan debts of $8,321 and $8,711, respectively.

PLUS Loans

In 1991, 5 percent of the Stafford borrowers reported that PLUS borrowing also had helped them meet their college costs. The percentage more than doubled (11.9 percent) for those Stafford borrowers who borrowed at both the undergraduate and graduate levels. The typical total PLUS loan amount was $4,000 to $5,000. (It is important to note that PLUS Loans are made to parents, not to students themselves. Thus, it is questionable whether PLUS Loan amounts should be included in student educational loan debt calculations.)

School Loans

One out of six respondents in 1991 reported borrowing from an institutional loan program. Among those borrowing at both undergraduate and graduate levels, 27 percent used school loans. The use of such loans for those who used Stafford loans only as undergraduates was less in terms of both percentage borrowing and mean loan amount.

TABLE 3

Loan Programs Used by 1985 and 1991 Respondents

Loan Program Study Year	Grand Total	Borrowed Only as Undergraduate	Borrowed Both as Undergraduate and as Graduate	First or Only Use at a Public College	First or Only Use at a Private College	Received Advanced Degree**
Stafford/GSL						
1985 percentage	100.0	100.0	100.0	100.0	100.0	100.0
1991 percentage	100.0	100.0	100.0	100.0	100.0	100.0
1985 mean	$5,288	$4,390	$8,759	$4,885	$6,170	$8,407
1991 mean	$10,401	$5,988	$18,525	$9,455	$13,106	$16,883
Perkins/NDSL						
1985 percentage	20.6	18.3	29.7	18.1	28.1	28.5
1991 percentage	35.7	27.0	58.7	37.0	41.6	44.7
1985 mean	$2,619	$2,154	$3,721	$2,458	$2,830	$3,441
1991 mean	$3,584	$2,702	$4,180	$3,171	$4,049	$4,373
Health Education Assistance Loan						
1985 percentage	1.1	0.8	2.3	0.0	2.1	2.2
1991 percentage	5.0	0.6	11.9	2.7	9.6	12.3
1985 mean	$5,286	$1,075	$10,900	—	$7,200	$10,900
1991 mean	$18,793	—	$19,847	$21,975	$20,121	$21,202
Health Professions Student Loan						
1985 percentage	1.3	0.1	2.3	0.6	1.7	2.9
1991 percentage	3.0	0.0	9.1	2.7	5.1	8.9
1985 mean	$1,000	$960	$1,067	$1,500	$950	$1,067
1991 mean	$11,337	—	$10,455	$7,423	$11,872	$11,337
Parents/Relatives (Personal Loan)						
1985 percentage	9.0	8.0	12.5	6.8	12.3	14.6
1991 percentage	8.4	6.9	11.9	10.5	7.9	10.1
1985 mean	$5,608	$5,426	$6,062	$3,973	$5,866	$6,675
1991 mean	$9,051	$4,904	$14,176	$5,526	$7,393	$13,833
Other*						
1985 percentage	2.6	1.8	5.5	2.6	3.4	5.1
1991 percentage	5.2	1.8	11.9	1.8	9.6	10.1
1985 mean	$2,778	$2,416	$3,243	$2,125	$3,431	$3,243
1991 mean	$7,630	$6,583	$6,920	$5,000	$6,523	$7,764
Supplemental Loans for Students (SLS)						
1985 percentage	—	—	—	—	—	—
1991 percentage	19.0	9.3	38.5	15.5	24.2	31.3
1985 mean	—	—	—	—	—	—
1991 mean	$6,885	$3,292	$8,528	$5,236	$8,321	$8,711
Parent Loan for Students (PLUS)						
1985 percentage	—	—	—	—	—	—
1991 percentage	5.6	3.6	11.9	3.7	10.1	8.4
1985 mean	—	—	—	—	—	—
1991 mean	$4,753	$4,123	$5,065	$5,371	$4,510	$5,807
School's Own Loan Program						
1985 percentage	—	—	—	—	—	—
1991 percentage	16.7	11.4	27.3	15.1	21.3	24.0
1985 mean	—	—	—	—	—	—
1991 mean	$4,611	$1,942	$6,674	$4,869	$4,907	$7,270
Total—All Loans						
1985-Mean	$6,488	$5,262	$11,087	$5,662	$8,009	$10,814
1991-Mean	$16,417	$7,858	$32,669	$14,753	$22,029	$29,492

* "Other" in 1985 includes SLS, PLUS, and School loans.

** Master's, Doctoral, or Professional Degree

Borrower Debt and Demographics

The next six tables compare different subsets of 1985 and 1991 respondents and their debt, income, and loan payments by such variables as: gender, marital status, academic level of borrowing (undergraduate only or both undergraduate and graduate), type of college attended, and highest degree obtained. The data are displayed in Tables 4 through 9 by means, first quartiles, medians, and third quartiles of respondents.

Stafford Loan Debt

The mean value of Stafford loans borrowed almost doubled in six years, from $5,288 in 1985 to $10,401 in 1991. The median amount increased by 61 percent. Stafford loan amounts at the third quartile almost doubled, from $7,000 in 1985 to $13,500 in 1991. (See Table 4, below.)

Table 4

Stafford Loans
Comparing 1985 and 1991 Respondent Characteristics

Category	Number		Means		First Quartiles		Medians		Third Quartiles	
	1985	1991	1985	1991	1985	1991	1985	1991	1985	1991
Grand Total (All)	623	536	$5,288	$10,401	$2,500	$4,350	$4,666	$7,500	$7,000	$13,500
All Men	273	240	$5,776	$11,455	$2,500	$4,500	$5,000	$8,000	$7,500	$15,000
All Women	350	296	$4,907	$9,546	$2,500	$4,030	$4,300	$7,500	$6,500	$11,875
All Unmarried	359	300	$5,488	$9,867	$2,500	$4,000	$5,000	$7,500	$7,500	$12,500
All Married	262	236	$5,030	$11,080	$2,500	$5,000	$4,500	$8,000	$6,000	$15,000
Used Stafford Loans for										
Undergraduate Only	492	332	$4,387	$5,988	$2,500	$3,050	$4,000	$5,000	$6,000	$8,000
Graduate*	131	204	$8,673	$17,583	$5,000	$10,000	$7,500	$15,000	$11,000	$25,000
First/Only Use of Loans by Type of School Attended										
Public (Two- and Four-Year)	310	218	$4,886	$9,455	$2,500	$3,988	$4,000	$7,500	$6,500	$11,625
Private (Two- and Four-Year)	234	180	$6,170	$12,996	$3,000	$5,000	$5,000	$10,000	$7,500	$17,875
Trade/Technical/ Vocational	57	41	$3,606	$4,508	$2,500	$2,500	$2,500	$5,000	$5,000	$5,063
Highest Degree Earned										
Bachelor's	319	238	$4,994	$8,254	$2,500	$5,000	$5,000	$7,500	$7,000	$10,000
Master's/Doctoral/ Professional	136	178	$8,407	$16,883	$5,000	$8,000	$7,050	$15,000	$10,375	$25,000

*Includes the undergraduate loan amounts, if any, for these borrowers.

Impact of Educational Debt

As Table 4 indicates, men borrowed more in Stafford loans than women in both the 1985 and 1991 surveys. Those who borrowed Stafford loans only as undergraduates reported a mean increase of 36 percent in the six years. By contrast, those who borrowed Stafford loans as graduate students (whether or not they also borrowed as undergraduates) reported a mean increase of 103 percent in the amount borrowed (including the amounts, if any, of their undergraduate loans). The 41 1991 respondents who first borrowed while attending trade, technical, or vocational schools registered a more modest increase of 25 percent in mean Stafford program debt. However, 1991 respondents who first borrowed while attending public colleges or universities reported 94 percent more in mean Stafford debt than their 1985 counterparts, and those who first borrowed while attending private colleges or universities had 111 percent more in mean Stafford debt than their 1985 counterparts. In comparing those who first borrowed at a private institution to those who first borrowed at a public institution in both study years, private institution borrowers had $1,284 more mean debt in the 1985 study. In the 1991 study, that difference in amount borrowed rose to $3,541.

For those borrowers whose highest degree earned was a bachelor's degree, the mean Stafford loan debt increased by 65 percent from 1985 to 1991. For those with master's, doctoral, or professional degrees, the mean Stafford loan debt increased by 101 percent between 1985 and 1991.

Total Educational Loan Debt

The loans in this category include Stafford loans, all other Title IV program loans, and loans from schools and private sources. The mean total debt increased by almost $10,000 (a 150 percent increase). The median loan debt doubled, from $5,000 in 1985 to $10,000 in 1991. (See Table 5.)

Male respondents in 1991 had the same median income as female borrowers but averaged approximately $2,000 more debt than females because more men reported high levels of loan debt. Respondents who borrowed only as undergraduates had a mean increase of 49 percent of total education-related debt; however, those borrowing as graduates almost tripled their mean loan debt (including their undergraduate debt, if any) from $11,093 to $30,321. Twenty-five percent of the 1991 respondents with graduate loans had total educational loan debts of $42,000 or more.

Respondents who first borrowed at trade, technical, or vocational schools reported an increase of 40 percent in mean debt level from 1985 to 1991. The mean debt of respondents who first borrowed while attending public institutions increased by 146 percent. Those who first borrowed while attending private institutions registered mean debt increases of 173 percent, with $4,500 more median loan debt to repay than their public college counterparts.

The 238 respondents whose highest degree obtained was a bachelor's degree had a mean indebtedness approximately $5,500 (90 percent) more than their 1985 counterparts'. However, the 179 respondents with master's, doctoral, or professional degrees reported a mean loan debt of approximately $18,700 (173 percent) more than their 1985 counterparts'. The mean indebtedness of 1991 respondents with advanced degrees at the third quartile increased by 211 percent, with the respondents in the upper quartile reporting loan debts of $42,000 and more.

Borrower Gross Income

Between the 1985 and 1991 studies, respondents' gross income increased approximately $11,000 (55 percent). (See Table 6.) The median income increased by $7,200 (40 percent). At the first quartile, gross income increased by only $3,660 (29 percent). However, at the third quartile, income increased by approximately $12,700 (53 percent).

In both 1985 and 1991, male respondents reported approximately $6,000 more in earnings than their female counterparts. Married borrowers earned approximately $8,700 more than unmarried borrowers in 1991, up from approximately $2,450 in 1985.

TABLE 5

All Loans
Comparing 1985 and 1991 Respondent Characteristics

Category	Number 1985	Number 1991	Means 1985	Means 1991	First Quartiles 1985	First Quartiles 1991	Medians 1985	Medians 1991	Third Quartiles 1985	Third Quartiles 1991
Grand Total (All)	623	538	$6,488	$16,417	$3,000	$5,000	$5,000	$10,000	$8,0000	$18,050
All Men	273	242	$6,816	$17,485	$3,000	$5,500	$5,000	$10,300	$8,000	$20,000
All Women	350	296	$6,232	$15,545	$2,500	$5,000	$5,000	$10,000	$7,900	$16,400
All Unmarried	359	302	$6,860	$15,285	$3,000	$5,000	$5,000	$10,000	$8,300	$16,500
All Married	262	236	$6,003	$17,867	$2,500	$5,000	$5,000	$10,000	$7,500	$20,000
Used Stafford Loans for										
Undergraduate Only	492	333	$5,262	$7,858	$2,500	$4,500	$4,650	$6,500	$7,000	$10,000
Graduate*	131	205	$11,093	$30,321	$5,000	$13,700	$9,500	$20,000	$15,000	$42,200
First/Only Use of Loans by Type of School Attended										
Public (Two- and Four-Year)	310	219	$5,662	$13,940	$2,500	$5,000	$5,000	$9,000	$7,500	$15,500
Private (Two- and Four-Year)	234	180	$8,009	$21,832	$4,000	$7,500	$6,126	$13,500	$9,673	$26,375
Trade/Technical/ Vocational	57	41	$3,825	$5,369	$2,500	$2,998	$3,000	$5,000	$5,000	$7,250
Highest Degree Earned										
Bachelor's	319	238	$6,119	$11,639	$3,500	$5,000	$5,250	$9,375	$7,700	$13,500
Master's/Doctoral/ Professional	136	179	$10,814	$29,492	$5,000	$11,450	$9,150	$20,000	$14,000	$42,000

*Includes the undergraduate loan amounts, if any, for these borrowers.

Those who borrowed Stafford loans for undergraduate study only reported mean incomes of approximately $25,000 in 1991, up 38 percent from 1985. Those who borrowed as graduate students (whether or not they also borrowed as undergraduates) had mean incomes of approximately $41,100 in 1991, up 50 percent from 1985. Median incomes for both groups increased by approximately $7,000 to $8,000. Earnings of respondents at the first quartile changed only slightly; however, earnings of those at the third quartile increased dramatically, up $8,400 for those borrowing only as undergraduates and up $13,200 for those borrowing as graduate students.

Among 1991 respondents, those who first borrowed at public and private institutions had almost the same mean and median earnings. Those who attended trade schools reported approximately $12,000 less in earnings than those who attended traditional colleges.

TABLE 6

Borrower Gross Income
Comparing 1985 and 1991 Respondent Characteristics

Category	Number		Means		First Quartiles		Medians		Third Quartiles	
	1985	1991	1985	1991	1985	1991	1985	1991	1985	1991
Grand Total (All)	563	454	$20,007	$30,974	$12,600	$16,260	$18,000	$25,200	$24,000	$36,681
All Men	257	201	$23,093	$34,594	$15,000	$19,200	$21,204	$29,184	$28,800	$40,518
All Women	306	253	$17,416	$28,098	$12,000	$14,400	$15,258	$24,000	$21,123	$34,200
All Unmarried	336	251	$18,998	$27,081	$12,480	$14,400	$16,800	$24,000	$24,000	$34,800
All Married	226	203	$21,453	$35,788	$13,200	$19,620	$19,200	$18,800	$28,125	$42,000
Used Stafford Loans for										
Undergraduate Only	451	283	$18,237	$25,094	$12,000	$14,400	$16,800	$24,000	$22,800	$31,200
Graduate*	111	169	$27,371	$41,087	$19,200	$21,600	$24,000	$32,400	$34,800	$48,000
First/Only Use of Loans by Type of School Attended										
Public (Two- and Four-Year)	277	192	$19,097	$31,531	$12,000	$16,800	$18,000	$26,400	$24,000	$36,000
Private (Two- and Four-Year)	215	149	$22,357	$31,070	$14,268	$16,200	$19,200	$25,200	$28,500	$36,000
Trade/Technical/ Vocational	50	29	$14,028	$18,513	$9,420	$10,440	$12,918	$18,000	$18,993	$24,000
Highest Degree Earned										
Bachelor's	293	205	$19,916	$28,080	$14,028	$18,240	$18,000	$25,200	$24,390	$36,000
Master's/Doc./Professional	122	152	$26,943	$43,242	$18,360	$24,000	$24,000	$33,600	$35,100	$53,700

*Whether or not they also borrowed as undergraduates.

Among 1991 survey respondents, those with master's, doctoral, or professional degrees reported mean incomes of $43,242, approximately $15,100 higher than those with only a bachelor's degree. The third quartile difference between these two groups of respondents was $17,700, and there was an $8,400 difference in median incomes.

Annual Loan Repayment Amounts

Mean annual loan payment amounts for all respondents increased by $1,174, from $987 in 1985 to $2,161 in 1991 (up 119 percent). (See Table 7.) The median annual repayment amount increased by $588, from $780 to $1,368 (up 75 percent). At the third quartile, annual repayments doubled between 1985 and 1991 (an increase of $1,200).

Men reported average annual repayment amounts in 1991 of approximately $550 more than women, although there was little difference in the median amount borrowed. At the third quartile,

the difference in 1991 was $840. Married respondents, when compared with unmarried respondents, reported almost the same differences in repayments as those reported between men and women.

From 1985 to 1991, respondents borrowing only for undergraduate study reported that their mean annual loan payments increased from $862 to $1,281 (49 percent). However, mean repayments of those who borrowed as graduates (whether or not they also borrowed as undergraduates) increased from $1,465 in 1985 to $3,723 in 1991, up $2,258 (154 percent). At the third quartile, the increase in annual repayments for graduate borrowers was $2,835 (144 percent).

In 1991, those respondents who first borrowed while attending private colleges reported mean annual loan payments of $2,874. This was more than twice the mean $1,136 reported by 1985 respondents. The loan payments of 1991 respondents who first borrowed at private colleges was approximately $1,000 more than those of the respondents who first borrowed at public colleges; at the third quartile, the difference was $1,530. What represented only modest differences in 1985, based on type of college attended, became much more dramatic in 1991.

TABLE 7

Borrower Annual Loan Repayment
Comparing 1985 and 1991 Respondent Characteristics

Category	Number		Means		First Quartiles		Medians		Third Quartiles	
	1985	1991	1985	1991	1985	1991	1985	1991	1985	1991
Grand Total (All)	597	491	$987	$2,161	$600	$792	$780	$1,368	$1,200	$2,400
All Men	263	220	$995	$2,468	$600	$792	$780	$1,368	$1,200	$3,000
All Women	334	271	$981	$1,912	$600	$780	$774	$1,320	$1,188	$2,160
All Unmarried	344	273	$1,018	$1,948	$600	$828	$840	$1,380	$1,200	$2,172
All Married	251	218	$945	$2,428	$600	$780	$756	$1,320	$1,080	$3,000
Used Stafford Loans for										
Undergraduate Only	473	312	$862	$1,281	$600	$720	$720	$1,092	$1,050	$1,518
Graduate*	124	177	$1,465	$3,723	$738	$1,608	$1,260	$2,844	$1,965	$4,800
First/Only Use of Loans by Type of School Attended										
Public (Two- and Four-Year)	295	201	$913	$1,865	$600	$720	$720	$1,092	$1,050	$1,518
Private (Two- and Four-Year)	223	161	$1,136	$2,874	$660	$1,074	$960	$1,824	$1,365	$3,600
Trade/Technical/ Vocational	57	39	$771	$901	$528	$600	$624	$720	$810	$1,200
Highest Degree Earned										
Bachelor's	306	222	$951	$1,586	$600	$852	$882	$1,260	$1,188	$1,800
Master's/Doc./Professional	130	159	$1,377	$3,693	$714	$1,440	$1,188	$2,604	$1,800	$4,800

*Whether or not they also borrowed as undergraduates.

Impact of Educational Debt

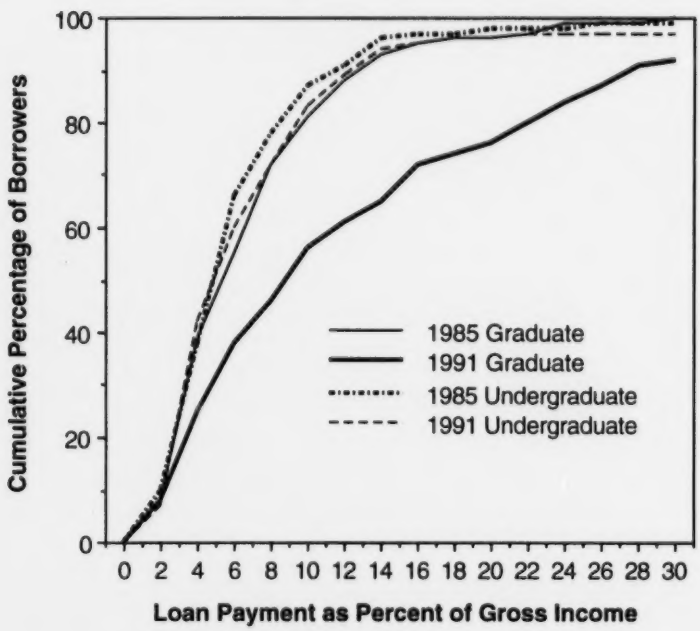
Those 1991 respondents who reported a bachelor's degree as the highest degree earned reported mean loan payments of $1,586, 67 percent greater than their 1985 counterparts. Those with master's, doctoral, or professional degrees had mean loan payments of $3,693 in 1991, an increase of $2,316 (168 percent). At the third quartile, this increase was $3,000. The top 25 percent of 1991 respondents with advanced degrees are committing $4,800 or more of their annual incomes to repay loans. This presumably is requiring that they make considerable adjustments in many of their economic and personal life decisions.

Loan Payments as a Percentage of Gross Income

The following figure displays borrowers' annual repayments as a percentage of their gross incomes. It contains two separate curves each for 1985 respondents and 1991 respondents, representing those who borrowed only as undergraduates and those who borrowed as graduate students (whether or not they also had undergraduate loans). The graph shows the cumulative percentage of borrowers (the vertical axis) whose payment to income ratios fall below the percentages of gross incomes used to repay loans (the horizontal axis).

FIGURE 1

Loan Payment – Income Comparisons
Graduate & Undergraduate (1985 & 1991)



With one notable exception, the graph demonstrates that the percentage of gross income being used to make loan payments changed only slightly between the 1985 and 1991 studies. However, 1991 respondents who borrowed as graduate students are contributing a markedly higher percentage of their incomes toward retiring their debt burdens. While approximately 80–85 percent of all 1985 respondents—and 1991 respondents who had borrowed only as undergraduates—were paying 10

percent or less of their gross incomes to retire their education loans, only 56 percent of the 1991 respondents having graduate loans fell within the same 10 percent limit. At double that rate, or 20 percent, almost 100 percent of the first three groups were included, whereas only 76 percent of the 1991 graduate borrowers were repaying less than 20 percent of their gross income.

When Spouses' Incomes and Loan Debts Are Also Considered

In Table 8, spouses' incomes and loan payments are combined with the respondents'. In 1985, loan payments represented a mean of 5.5 percent of respondents' gross income. In 1991, the mean percentage had grown to 8.1 percent, due in large part to a substantial increase in borrowing to meet the costs of graduate study. This represented an increase of 2.6 percentage points, or approximately 0.43 percentage point per year. The increase in the median percent from 1985 to 1991 was 1.17 percentage point.

TABLE 8

Combined (Borrower & Spouse, If Married) Annual Loan Repayment as a Percent of Combined Gross Income Comparing 1985 and 1991 Respondent Characteristics

Category	Number		Mean		First Quartile		Median		Third Quartile	
	1985	1991	1985	1991	1985	1991	1985	1991	1985	1991
Grand Total (All)	570	446	5.51	8.81	2.45	2.77	4.19	5.36	7.00	9.76
All Men	254	194	5.25	8.15	2.39	2.47	4.14	5.13	6.28	9.61
All Women	316	252	5.73	8.09	2.51	2.89	4.28	5.40	7.50	9.97
All Unmarried	330	237	6.51	9.46	3.29	3.44	5.10	6.52	8.26	10.67
All Married	239	209	4.14	6.59	1.75	2.20	2.88	4.41	4.80	8.00
Used Stafford Loans for										
Undergraduate Only	457	283	5.40	6.31	2.50	2.50	4.17	4.28	6.46	8.00
Graduate*	113	163	5.98	11.25	2.40	3.88	4.71	7.81	7.90	14.81
First/Only Use of Loans by Type of School Attended										
Public (Two- and Four-Year)	279	189	5.15	6.68	2.33	2.48	3.83	4.29	6.25	8.33
Private (Two- and Four-Year)	215	145	5.70	11.10	2,50	4.08	4.58	7.69	7.80	12.50
Trade/Technical/ Vocational	54	31	6.66	6.48	2.96	2.63	4.23	4.03	6.79	8.75
Highest Degree Earned										
Bachelor's	297	203	5.41	6.71	2.59	2.50	4.40	4.35	7.01	7.86
Master's/Doc./Professional	123	147	5.66	10.79	2.00	3.75	3.96	7.81	7.51	14.67

*Whether or not they also borrowed as undergraduates.

Male and female respondents in 1991 committed similar percentages of their incomes to loan repayment. The higher loan debt of men was offset by their higher incomes. Unmarried respondents are required to commit higher percentages of their incomes to repay loans than married respondents, as some married respondents have the benefit of a spouse's income without a corresponding spousal student loan debt. In 1991, the mean percentage for unmarried respondents (9.46 percent) was 2.87 percent higher than for married respondents. The median difference was 2.11 percent.

Those 1991 respondents who borrowed only as undergraduates have a mean repayment obligation equal to 6.3 percent of gross income, only 0.9 percent more than in 1985. Those who borrowed as graduate students have a mean repayment obligation (including undergraduate indebtedness, if any) equal to 11.25 percent of gross income, up from 6.0 percent in 1985. At the third quartile for 1991 respondents, those who borrowed only as undergraduates had repayment obligations equal to 8.0 percent of gross income, while those who borrowed as graduate students had repayment obligations equal to 14.8 percent of their gross income.

Those 1991 respondents who had first borrowed while attending private colleges reported spending 11.1 percent of their gross income on loan repayment—4.4 percent more than those who first borrowed while attending public institutions. The median difference was 3.4 percent higher for those who first borrowed while attending a private institution.

Those 1991 respondents whose highest degree earned was a bachelor's degree had mean repayment obligations equal to 6.7 percent of gross income, a modest increase of 1.3 percent over their 1985 counterparts. Those with master's, doctoral, or professional degrees had a mean repayment obligation equal to 10.8 percent of gross income, an increase of 5.1 percent over their 1985 counterparts. At the third quartile, those 1991 respondents with master's, doctoral, or professional degrees spent 14.7 percent of their gross income on loan repayment, an increase of 7.2 percent over their 1985 counterparts.

Mean Years Borrowed and Other Selected Characteristics

Mean Number of Years Borrowed

Respondents in 1991 on average borrowed for one more academic year than the 1985 respondents. (See Table 9.) Men borrowed for 1.2 more years, and women borrowed for 0.9 more years. All married respondents in 1991 reported 1.24 more years of borrowing than in 1985, while unmarried respondents borrowed for only 0.8 more years.

Those 1991 respondents who borrowed only for undergraduate study borrowed for a mean of 2.9 years, an increase of 0.5 years from those in the 1985 survey. Those 1991 respondents who borrowed as graduate students reported an increase from 3.3 years of borrowing in 1985 (including years, if any, in which they borrowed as undergraduates) to 4.8 years in 1991, an increase of 1.5 years. Whether the respondent first borrowed at a private or public institution did not appear to make a substantial difference in the increase observed in the mean number of years borrowed.

Those 1991 respondents whose highest degree earned was a bachelor's degree increased the number of years borrowed from 2.7 to 3.5, an increase of 0.8 years. Those with master's, doctoral, or professional degrees increased the number of years they borrowed from 3.2 in 1985 to 4.6 in 1991, an increase of 1.35 years.

Mean Number of Schools at Which Respondent Borrowed

Respondents in 1991 reported borrowing at a mean of 1.5 different schools. In 1985, the mean was 1.3. Male respondents tended to use loans at more than one college at a higher rate than female respondents. Those who borrowed as graduate students showed a slight increase in the number of schools at which they borrowed, from 1.6 in 1985 to 1.7 in 1991. (If those graduate borrowers

also borrowed for undergraduate study, then the undergraduate institutions are included in the computations.)

Grade Point Average

Respondents in 1991 reported slightly higher grade point averages (3.16) than 1985 respondents (3.09). Women and men reported similar grades in 1991, whereas women reported higher grades than men in 1985. Married students reported higher grades than unmarried students in both study years, although the difference narrowed slightly in 1991. In both study years, respondents who borrowed for graduate study reported higher grades than those who borrowed only for undergraduate study; the difference between the groups' grades remained approximately the same in both study years.

TABLE 9

Mean Years Borrowed and Other Selected Data Comparing 1985 and 1991 Respondent Characteristics

Category	Mean Number of Years Borrowed		Mean Number of Schools		Mean GPA (A=4.0)		Percent of Loans Repaid	
	1985	1991	1985	1991	1985	1991	1985	1991
Grand Total (All)	2.56	3.57	1.28	1.45	3.09	3.16	33.39	37.03
All Men	2.55	3.72	1.25	1.51	2.93	3.13	33.91	34.26
All Women	2.56	3.45	1.29	1.41	3.22	3.19	32.98	39.38
All Unmarried	2.64	3.48	1.28	1.44	3.03	3.11	29.42	32.08
All Married	2.45	3.69	1.28	1.47	3.17	3.24	38.33	43.01
Used Stafford Loans for								
Undergraduate Only	2.36	2.86	1.20	1.28	3.02	3.04	33.88	40.79
Graduate*	3.29	4.80	1.58	1.74	3.36	3.38	30.96	30.12
First/Only Use of Loans by Type of School Attended								
Public (Two- and Four-Year)	2.45	3.46	1.28	1.48	3.07	3.13	31.87	39.90
Private (Two- and Four-Year)	2.89	4.07	1.28	1.50	3.11	3.19	35.77	30.92
Trade/Technical/ Vocational	1.80	1.95	1.21	1.09	3.12	3.20	32.10	37.28
Highest Degree Earned								
Bachelor's	2.68	3.49	1.23	1.42	3.02	3.06	29.90	39.17
Master's/Doctoral/Professional	3.22	4.57	1.51	1.63	3.41	3.40	36.62	32.86

*Whether or not they also borrowed as undergraduates.

Percentage of Respondents in Repayment.

Because the volume of loans which were made recently is so much greater than in previous years, the random sample of respondents in 1985 and 1991 did not reach the expected mean of 50 percent repaid. Five groups (women, married borrowers, those who borrowed only as undergraduates, those who previously attended public institutions, and those with bachelor's degrees as their highest earned degree) had repaid an above-average percentage in 1991.

Degree to Which Debt Affected Borrowers: The Role of Loans, Attitudes About Loans, and the Impact of Debt

Table 10 compares 1985 and 1991 responses to a variety of questions dealing with opinions, attitudes, and personal and economic decisions which may be affected by the amount of educational debt incurred. Responses are displayed by mean rating values for the 1985 and 1991 studies, as well as the percentage of responses grouped by high, medium, and low rating values.

Role of Loans

Seven of ten 1991 respondents indicated that loans were essential for their enrollment in college, and another two of ten said that loans somewhat affected their enrollment decision. In 1991, 4.8 percentage points more repayers than in 1985 reported loans as being either most or somewhat essential in ensuring their ability to enroll.

Forty-five percent of 1991 respondents indicated that loans enabled them to enroll at their first-choice college. The percentage who strongly affirmed this reality in 1991 was 4 percentage points less than in 1985. The mean rating drop for all repayers, from 6.0 to 5.6, was significant at the 5 percent level of confidence.

Approximately one-fifth of respondents in both 1991 and 1985 indicated that loans replaced funds their parent(s) could have provided otherwise. There were 2.5 percentage points fewer repayers in 1991 than in 1985 who stated that loans replaced available parental funds.

Fourteen percent of 1991 respondents stated that loans were a backup/reserve and not a primary resource in meeting college costs. This figure was less than the 20 percent of respondents in 1985 who reported using loans as a backup source of aid.

Approximately 12 percent of 1991 respondents felt strongly that loan debt affected their choice of academic major. In 1985, less than 10 percent had so indicated.

Twenty percent of 1991 respondents indicated that loan debt caused postponement of graduate school enrollment. This figure was 3.2 percentage points higher than that reported in 1985.

Borrower Attitudes about Loans

Only 6 percent of 1991 borrowers wish they had borrowed more money. In 1985, 13 percent—more than double the 1991 level—had so indicated.

Almost 60 percent of 1991 respondents indicated that they somewhat or greatly wish they had borrowed fewer dollars. In 1985, about 44 percent of respondents had so indicated. This difference was statistically significant according to the size of the two samples.

Only about 4 percent of respondents in both 1985 and 1991 indicated that they expected their parent(s) to help them repay their college loans.

TABLE 10

Borrower Attitudes Concerning Debt

"Role of Loans" Questions (Rating Scale of 1 to 9: 1=Strongly Disagree, 9=Strongly Agree)	Mean Rating		Percentage Rating: Strongly Disagree (1, 2, or 3)			Somewhat Agree (4, 5, or 6)			Strongly Agree (7, 8, or 9)		
	1985	1991	1985	1991	Diff.	1985	1991	Diff.	1985	1991	Diff.
Loans Essential For Enrollment	6.9	7.0	15.4	10.6	-4.8	16.4	18.9	2.5	68.2	70.5	2.3
Loans Allowed Enrollment at First-Choice College*	6.0	5.6	21.9	25.6	3.7	29.2	29.3	0.1	48.9	45.1	-3.8
Loans Replaced Funds Parent(s) Could Have Provided Otherwise	3.4	3.2	63.8	66.1	2.3	14.3	14.5	0.2	21.9	19.4	-2.5
Loans Were Backup/Reserve, Not Primary Resource	3.2	3.0	67.1	70.5	3.4	12.7	15.2	2.5	20.2	14.3	-5.9
Loan Debt Affected Choice of Academic Major	2.5	2.8	76.2	73.8	-2.4	14.0	14.7	0.7	9.7	11.5	1.8
Loan Debt Caused Postponement of Graduate School	3.1	3.2	68.9	67.9	-1.0	14.1	11.9	-2.2	17.0	20.2	3.2
"Attitudes About Loans" and "Impact of Debt" Questions (Rating Scale of 1 to 9: 1=Little or None, 9=Much or Great)	**Mean Rating**		**Percentage Rating: Little or None (1, 2, or 3)**			**Some (4, 5, or 6)**			**Much or Great (7, 8, or 9)**		
	1985	1991	1985	1991	Diff.	1985	1991	Diff.	1985	1991	Diff.
Now Wish Had Borrowed More Dollars**	2.7	2.2	72.7	81.5	8.8	14.4	12.7	-1.7	12.8	5.8	-7.0
Now Wish Had Borrowed Less Dollars**	3.7	4.6	56.3	40.9	-15.4	23.0	28.3	5.3	20.8	30.8	10.0
Degree Expected Parent(s) to Help Repay Loan(s)	1.6	1.7	90.5	89.3	-1.2	5.8	6.2	0.4	3.7	4.5	0.8
Degree Loan Debt Caused Drop-out from College	1.8	1.9	87.1	86.6	-0.5	6.1	5.6	-0.5	6.8	7.8	1.0
Degree Difficulty in Handling or Budgeting Loan Payments**	3.4	4.4	58.4	39.4	-19.0	26.6	34.4	7.8	15.0	26.2	11.2
Need to Borrow Other Money to Make Loan Payment(s)**	1.8	2.7	89.0	74.6	-14.4	5.9	14.3	8.4	5.1	11.2	6.1
Degree Loan Debt Affected If/When to Marry**	2.0	2.6	84.6	73.8	-10.8	9.0	13.7	4.7	6.5	12.5	6.0
Degree Loan Debt Affected If/When to Add to Family**	2.4	3.2	77.5	64.9	-12.6	9.5	14.2	4.7	13.0	20.9	7.9
Degree Loan Debt Caused Use of Rental Housing**	3.0	4.0	68.2	52.6	-15.6	13.2	19.1	5.9	18.7	28.3	9.6
Degree Loan Debt Caused Buying Used (Not New) Cars**	3.5	4.2	61.2	48.2	-13.0	16.6	22.0	5.4	22.2	29.8	7.6
Degree Loan Debt Caused Working Two or More Jobs**	2.6	3.6	74.5	60.2	-14.3	12.3	15.7	3.4	13.1	24.0	10.9
Degree Loan Debt Caused Working Second Choice/Higher Pay Job**	2.5	3.5	75.3	58.6	-16.7	13.6	22.7	9.1	11.1	18.8	7.7
Degree Loan Debt Affected Ability to Regularly Save Money**	5.0	5.7	34.8	25.7	-9.1	28.1	25.9	-2.2	37.0	48.3	11.3
Degree Loan Debt Caused Living at Home with Family/Relatives	2.6	2.8	74.3	70.7	-3.6	13.1	14.4	1.3	12.5	14.9	2.4
Degree Future Loan Payments Will Be Easier to Handle	4.7	4.6	34.6	32.4	-2.2	36.2	45.0	8.8	29.3	22.6	-6.7
Degree Loan Debt Caused Needed Health Care to Be Postponed**	2.6	3.2	73.8	64.7	-9.1	13.4	18.6	5.2	12.8	16.7	3.9

* Mean differences of the 1985 and 1991 "Mean Ratings" are significant at a 5 percent level of confidence.

** Mean differences of the 1985 and 1991 "Mean Ratings" are significant at a 1 percent level of confidence.

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Impact of Debt on Personal and Economic Decisions

About 13 percent of 1991 and 1985 respondents reported that student loan debt had some or a great impact on their dropping out of college. But compared to 1985 respondents, nearly 50 percent (about 20 percentage points) more 1991 respondents stated that loan repayments were more difficult to budget and make. Slightly more than one in four respondents found it most difficult, and approximately one in three found it somewhat difficult. Only four in ten 1991 respondents found loan payments of little or no difficulty. In 1985, almost six in ten found repayments of little or no difficulty.

In 1985, 11 percent of respondents indicated some or much need to borrow other funds to make student loan payments; in 1991, slightly more than one in four—25 percent— reported some or much need to borrow other funds to make payments. This represents a dramatic change.

In 1985, 15 percent of respondents indicated that loan debt was having some or a great impact on decisions of if/when to marry; in 1991, about 26 percent so reported.

In 1985, about 24 percent of respondents reported that loan debt influenced decisions of whether/when to add to their family; in 1991, about 35 percent so reported.

In 1985, about 32 percent of respondents indicated some or a great need to rent, not buy, housing because of outstanding college loan debt. In 1991, 47 percent so reported. Compared to the 1985 respondents, there was a 10 percentage point increase in the proportion who indicated much or a great need to rent, not buy. Respondents with doctoral degrees demonstrated an increase in their mean rating on this question from 2.00 in 1985 to 6.17 in 1991. This was one of the greatest increases for any variable in the study.

In 1985, about 39 percent of respondents said loan debt caused some or a great need to purchase used rather than new cars. In 1991, more than 50 percent so reported.

In 1985, 25 percent of respondents reported that loan debt resulted in some or a great need to work at two or more jobs. In 1991, almost 40 percent so reported.

In 1985, 65 percent of respondents indicated that loan debt made it somewhat difficult or difficult to save money regularly. In 1991, 74 percent so reported.

In 1985, 26 percent of respondents indicated some or a great need to live at home with family or relatives. In 1991, this increased to 29 percent. (This increase is not statistically significant.)

Those respondents in repayment were asked if they believed that future loan payments would be less burdensome. In 1985, approximately 65 percent believed that future payments would be less burdensome; in 1991, the percentage was about the same.

In 1985, 26 percent of respondents indicated that loan debt had to some or a great degree resulted in the postponement of needed health care. In 1991, 35 percent so responded. More women than men stated that health-care needs had been postponed.

Borrower Debt and Income by Highest Degree Obtained

As anticipated, there were some strong relationships among borrower debt, income, and the highest degree obtained in both the 1985 and 1991 studies. (See Table 11.)

The most substantial changes in the 1985 and 1991 studies' findings related to those respondents who had earned a master's or higher degree. While amounts of both indebtedness and income increased between 1985 and 1991, increases in income did not keep pace with increases in debt levels. For borrowers who earned professional degrees, the percentage of income required to repay educational debt rose from 6.8 percent in 1985 to 12.6 percent in 1991.

TABLE 11

Findings by Highest Degree or Certificate Obtained
Comparing 1985 and 1991 Respondents

Highest Degree Obtained	Number of Respondents		Total Educational Loans Means		Percent	Total Loan Payments* Monthly Means		Percent
	1985	1991	1985	1991	Change	1985	1991	Change
None	55	40	$3,925	$7,297	85.9	$73.20	$121.20	65.6
Certificate	38	24	$2,877	$4,400	52.9	$64.10	$75.90	18.4
Associate's	79	60	$3,906	$6,492	66.2	$61.20	$92.40	50.9
Bachelor's	319	243	$6,119	$11,639	90.2	$89.90	$141.00	56.8
Master's	86	92	$8,986	$18,973	111.1	$107.80	$224.20	108.0
Doctoral	16	38	$13,688	$40,721	197.5	$162.20	$468.50	188.8
Professional	35	50	$14,084	$40,123	184.9	$150.00	$475.90	217.3
All	628	547	$6,488	$16,417	153.0	$90.90	$198.20	118.0

Highest Degree Obtained	Number of Respondents		Respondents' Gross Income* Monthly Means		Percent	Respondents' Net Income* Monthly Means		Percent
	1985	1991	1985	1991	Change	1985	1991	Change
None	55	40	$1,484	$1,706	15.0	$1,100	$1,302	18.4
Certificate	38	24	$1,551	$1,992	28.4	$1,137	$1,606	41.2
Associate's	79	60	$1,783	$2,643	48.2	$1,250	$1,977	58.2
Bachelor's	319	243	$2,172	$2,911	34.0	$1,509	$2,072	37.3
Master's	86	92	$2,831	$3,643	28.7	$1,840	$2,525	37.2
Doctoral	16	38	$3,593	$5,779	60.8	$2,603	$3,645	40.0
Professional	35	50	$3,329	$5,349	60.7	$2,214	$4,328	95.5
All	628	547	$2,217	$3,313	49.4	$1,535	$2,386	55.4

Highest Degree Obtained	Number of Respondents		Payments as Percent of Gross Income* Means		Percent	Payments as Percent of Net Income* Means		Percent
	1985	1991	1985	1991	Change	1985	1991	Change
None	55	40	7.80	9.13	1.33	9.62	11.15	1.53
Certificate	38	24	4.20	5.99	1.79	5.81	7.17	1.36
Associate's	79	60	4.86	4.99	0.13	6.71	6.57	-0.14
Bachelor's	319	243	5.41	6.68	1.27	7.36	8.91	1.55
Master's	86	92	5.10	9.32	4.22	7.47	12.73	5.26
Doctoral	16	38	6.51	12.10	5.59	8.51	17.59	9.08
Professional	35	50	6.76	12.57	5.81	8.86	17.77	8.91
All	628	547	5.51	8.00	2.49	7.49	10.80	3.31

*Includes spouse, if married.

INCOME AND PAYMENTS BY DEBT LEVELS

There is a direct and consistent relationship among the level of borrowing, the amount of monthly repayment, and the percentages of loan repayment to both gross and net ("take-home") income. (See Table 12 on following page.)

TABLE 12

Income and Loan Payments Reported by Level of Total Dollars Borrowed (1991 Respondents Only)

Total Dollars Borrowed (Respondent Only)	Mean of Range*	N	Percent of Total	Borrower & Spouse Mean Monthly Gross Income	Borrower & Spouse Mean % Payments to Gross Income	Borrower & Spouse Mean % Payments to Net Income
$50,000 and Up	$70,940	29	6.5	$5,941	19.30	28.92
$25,000 to $49,999	$34,539	42	9.4	$4,402	14.10	18.61
$15,000 to $24,999	$18,131	64	14.3	$3,289	11.08	14.57
$10,000 to $14,999	$11,689	94	21.1	$3,169	7.25	9.82
$5,000 to $9,999	$6,507	145	32.5	$3,048	5.19	6.79
$4,999 or Less	$3,009	72	16.1	$2,559	4.45	5.63
All	$15,532	446	—	$3,345	8.11	10.91

*Includes only borrowers who reported monthly incomes greater than zero.

The 29 respondents to the 1991 survey who borrowed more than $50,000 reported loan payments equivalent to 19.3 percent of their gross income. The mean debt for those borrowers is $70,940. These respondents report that payment amounts have a significant impact on their lifestyle. Those with loan debt between $25,000 and $49,999 (with an average of $34,539) spend 14.1 percent of their gross income on loan repayments. These percentages represent a significant use of discretionary income for student loans.

Even borrowers with total loan debt in the $15,000–$24,999 range commit 3 percent more of their gross income for loan payments than the mean percentage for all respondents. Those respondents with total loans of less than $14,999 are using less than the mean percentage of their incomes to repay loans. This is particularly true for respondents with loan debt of less than $10,000.

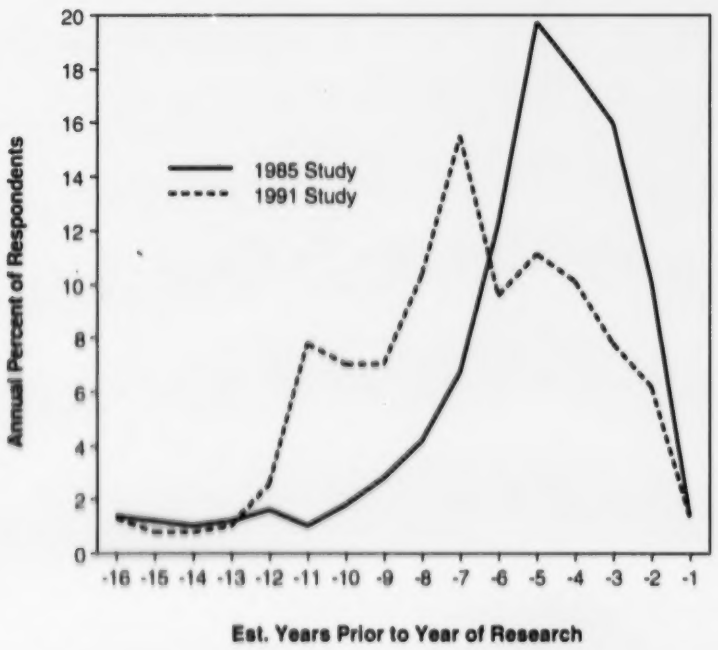
LOAN PROGRAM VARIABLES AT THE TIME OF BORROWING

Information concerning the years in which respondents first borrowed was not collected in either the 1985 study or the 1991 study. However, respondents were asked to provide the year in which repayment began, and rough estimates of the year first borrowed were made by subtracting the number of academic years each respondent borrowed from the year repayment began. This calculation does not account for grace periods or academic years in which no loans were received, but it does provide some measure of the years over which the respondents first borrowed.

The figure below illustrates the number of years prior to completing the questionnaire (the horizontal axis) the respondents were estimated to have first borrowed. The percentage of respondents estimated to have borrowed during each annual period is represented by the vertical axis.

FIGURE 2

Estimated Year of First Loan
(Year Begin Repay Minus Years Borrowed)



The resulting curves are pertinent to this study in two respects: (1) they suggest that more of the 1985 respondents first borrowed closer to the year of that study than did the 1991 respondents, and (2) they also suggest some of the difficulty that would be encountered if the study attempted to compare some of its findings to the existing eligibility and program requirements that affected 1985 respondents as opposed to 1991 respondents. This is because many different loan maximums, grace periods, interest rates, deferment eligibility criteria, and other factors pertain to the loans held by borrowers in each of the two study years.

The greater variance in 1991 respondents' first borrowing year is most likely attributable to the 1991 study's inclusion of a higher percentage of respondents who borrowed as graduate students (30 percent) than the 1985 study (20 percent). However, it also is attributable to the fact that 1991 graduate students borrowed for more academic years than those in the 1985 study (4.80 versus 3.29); the same was true of those respondents who borrowed only as undergraduates (2.86 years in 1991 versus 2.36 years in 1985). Disparities between the rates of increase for educational costs and gift aid may have caused the 1991 respondents to borrow in earlier academic years than their 1985 counterparts, but specific data were not collected to verify this conclusion.

Selected Quotes from 1991 Respondents

Respondents were invited to offer any additional comments they wanted to make regarding their student loan experiences. About 50 percent did so, indicating the strength of the respondents' feelings about their experiences. The following quotations are a representative sample of comments:

"Pre-counseling as to repayment and screening as to how much one really needs to borrow are needed."

"When receiving each new loan, someone should review total debt and estimated monthly payments. I never realized the amount of money per month I would eventually have to repay, nor the number of years."

"I think loans are most helpful. I could see how a person graduating from a four-year college could need additional time for repayment than ten years, especially the way the economy is today. Some people may have to take lesser jobs as some jobs are scarce in the field you studied. I feel the number-one problem for graduates not paying their student loans in a timely manner is that they cannot manage their own money; they overspend. They don't set financial goals or make a budget. I think prior to getting a loan, students should be required to take some kind of personal financial management course that shows them how to make a budget and manage money."

"Without the loan I wouldn't have been able to personally determine and fulfill my goals. I consider it a tremendous bargain."

"Loan programs are extremely important because they allow educational opportunities for impoverished, low- to middle-class people. Nowadays it is virtually impossible to go to public, let alone private, schools without loans."

"If I knew the loans would have caused me this much grief and pain and that my education would only lead to jobs that paid barely over minimum wage, I wouldn't have gone to college...."

Respondents' Comments Suggesting Program Changes

Top 10 Suggestions and Number Making Comment
1991 Respondents Only

24	Make loan information more clear
17	Income-contingent repayment needed
15	Parental income should not determine loan amount
11	Longer grace periods
10	More exemptions from repayment based on type of work/service
10	Automatic medical residency deferment
10	Make loan interest paid tax deductible
10	Expand deferment options
10	Higher loan maximums needed
9	More effort to collect/make payment history public

Sources of Loan Information

Respondents in both study years were asked to rank six common sources of loan information from 1 to 6 (with 1 being the best source of information). The mean responses are displayed in Table 13.

TABLE 13

Sources of Loan Information

Ranked from "1" to "6" with "1" being the best or primary source	Borrowed as Undergraduate Only (Mean Rankings)		Borrowed as Graduate Only (Mean Rankings)	
	1985	1991	1985	1991
Colleges	2.08	1.70	1.53	1.28
Lenders	2.19	2.31	2.12	2.04
Guarantee Agencies	4.28	3.85	3.59	3.47
Federal Government	4.55	4.31	4.56	4.24
News Media	4.09	4.55	4.19	4.77
High Schools	3.37	3.57	4.00	4.57

In comparing responses from both the 1985 and 1991 studies, the mean rating differences were statistically significant for the following categories:

- *For respondents who borrowed as undergraduates only:* colleges, guarantee agencies, and news media.
- *For respondents who borrowed as graduate students:* colleges, news media, and high schools.

Related Research

The scope of this study differs from many others which are limited by geographic region, type of education institution, type of academic degree sought, or other factors. However, certain comparisons were made in order to establish the degree of consistency between the findings of this research and those of other studies. The major difficulties encountered in this effort involved differences in survey years, differences in the borrowers' loan status (or length of time in repayment), and different wordings of survey questions. Those difficulties notwithstanding, the data contained in this study show a satisfactory degree of consistency with other research conducted approximately at the same times. In some instances, the degree of consistency is remarkable considering the differences in survey procedures.

Impact of Educational Debt

The 1989–90 National Postsecondary Student Aid Study (NPSAS) reported mean undergraduate total student loan borrowing by the following subgroups:

	NPSAS 1989–90	*Lilly** 1991
Public Two-Year Colleges	$3,966	$4,613
Public Four-Year Colleges	$6,735	$7,635
Private Institutions	$9,744	$9,337
Proprietary Institutions	$5,011	$5,562

**The Lilly study can identify only those borrowers whose first loan was made at the type of institution represented. (All references to the "Lilly" studies on this page mean this 1991 study or its 1985 predecessor, whichever is noted.)*

In an undated report entitled "Debt Burden Facing College Graduates," Westat, Inc. published data for bachelor's degree recipients who were not seeking an advanced degree in the year after graduation. Westat's borrower sample is close to—but not directly comparable to—a subset of borrowers from the 1985 study.

	Westat 1986	*Lilly** 1985
Mean Total Loan Debt	$4,800	$5,252
Loan Payments as Percent of Gross Income	4.0	5.4

**The Lilly study borrower subgroup consists of those respondents who indicated a bachelor's degree as the highest degree earned.*

Carl Fredrickson & Associates (CF&A) reported the following in a 1990 study from a random sample of Great Lakes Higher Education Corporation repayment accounts:

	CF&A 1990	*Lilly** 1991
All Respondents—Percent Who Feel Their Borrowing Was "Not Very Wise" or "Not At All Wise"	43	39
All Respondents—Percent Who Found Repayment of Loans:		
"A Small/Insignificant Burden"	43	39
"Somewhat A Burden"	40	35
"A Large Burden"	17	26
All Respondents—Percent Using 10 Percent or More of Net Income To Repay College Loans	18.5	19
Percent of the Above Subgroup Who Find Their Loan Payments to be "A Large Burden"	48	50
Professional Students—Percent Stating Repayment of Loans Was Most Difficult To Handle	23	24

**The Lilly survey questions differed from those used in the CF&A survey.*

Conclusion

While borrowers indicated that they view loans as essential for college enrollment, they also expressed their belief that more attention must be given to better matching anticipated debt levels with anticipated earnings. The 1991 respondents who had loan payments equal to 10 percent or more of their net ("take-home") income reported that adjustments in life-style and consumer habits were necessary. As a general rule, borrowers who earned only a bachelor's degree or less found their repayment obligations to be of little or modest difficulty. However, borrowers with a master's, doctoral, or professional degree found loan repayments increasingly difficult and indicated that the obligations were dramatically affecting many aspects of their personal and economic lives.

The findings of this study provide future borrowers with an increased understanding of the debt levels and future sacrifices involved in making education and career choices that might help them achieve their goals. Students considering postgraduate study at an institution at which costs are high and grant money is scarce may have to consider alternatives such as combining part-time study with employment, delaying enrollment, or readjusting goals. If the past is an indicator of the future, most borrowers will face college cost increases, resulting in a need for bigger loans and loan debt levels that may be even more out of proportion with their future incomes.

Loans are a financing option, but they also are a legal obligation. Many respondents indicated that their loans were too easy to obtain. Borrowers must take a "stop, look, and listen" approach to every loan option. This research provides data that can and should assist future borrowers in the "think" and "listen" aspects of education loan decision making.

Loans are—and will continue to be—a significant factor for millions of students in the financing of their postsecondary education. Policy planners must be sensitive to the issues of repayment relief in the form of loan consolidation, income-contingent repayment options, and loan forgiveness in exchange for service. However, any policy that makes large debt burdens easier to bear is not without possible negative consequences for individuals and society. Parents who are expected to contribute to their children's education may still be paying off their own education loans, and the additional burden of children in school would further reduce the number of consumer purchases made by those families. Other risks attend when increased debt levels are made more attractive—or at least palatable—to future students: namely, that increased use of student debt might be more politically feasible for those who set or influence net education costs. The funding of state, federal, and institutional grant programs, tuition charges, state and local tuition subsidies, and other types of educational costs all will be affected to some degree by future loan program policies.

Student loan debt affects all aspects of our consumer economy and society. When loan debt assumes repayment obligations well beyond 10 percent of discretionary income, many decisions are affected, including: housing and transportation choices; food and clothing choices; acceptance of higher-paying, second-choice jobs; use of credit cards; decisions of whether/when to marry and whether/when to have children; and when to get needed health care.

Many borrowers consider loans to be an investment in their future. However, there is no guarantee that borrowing large amounts of money for postsecondary education will result in one's earning a high income upon entering the workforce. On the other hand, without the credentials that college degrees provide, most young people's future earnings are severely restricted. This research demonstrates that the short-term gains for many are limited, or even less than if they had not borrowed. Many borrowers need to adopt the more realistic long-term perspective that loan debt is a short-term sacrifice to achieve a long-term gain.